

A PERIOD OF ARMED TRUCE

The production of the company was of great importance for the successful prosecution of war by Great Britain. As soon as the first World War ended, it became clear that the company's relations with the Iranian government were not cordial. The crisis was precipitated by the refusal of the company to pay royalties to the government. This refusal occurred because the company held the government responsible for manifold property damage that the government's neglect had allowed local tribes to perpetrate. On the other hand, Iranian public opinion realized by that time that the profits of the company were enormous and that only a small portion was going to the Iranian treasury. The unfortunate Anglo-Iranian Treaty of August, 1919, only worsened the situation. Both parties finally agreed to submit the matter to the arbitration of Armitage Smith. The arbitration led to a provisional agreement of December 22, 1920, which, however, was not ratified by the Majlis. The advent of Reza Shah to power found relations between the company and the government in a state of irritation. The tension increased as time went on. In 1932 the showdown came. According to the calculations of the Iranian government, the total sum paid by the company to Iran between 1901 and 1932 was 11,000,000 pounds sterling. If the company, instead of paying the royalties, had paid the normal taxes in force in Iran, the total sum due the Iranian treasury would have been 22,000,000 pounds sterling. In addition the government accused the company of certain manipulations detrimental to the interest of Iran. On November 27, 1932, the government notified the company that the concession had been annulled.

British reaction was quick and energetic. In a note sent to the government on December 2, 1932, the British Legation threatened to use force in case of need. The threat was supported by the appearance near the Iranian coast in the Gulf of a few British naval vessels. This was followed by an exchange of notes rather violent in character. Great Britain appealed to the Permanent Court of International Justice in The Hague; Iran, however, protested against this procedure, considering the dispute a purely domestic one between the government and the company. The matter was eventually brought before the Council of the League of Nations. There, after hearing eloquent pleas by Sir John Simon and by Mr. Davar, Iranian Minis-